GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1916
ANSWERED ON:09.03.2001
FOREIGN CURRENCY IN FOREIGN RESERVE
RAM TAHAL CHOUDHARY

Will the Minister of FINANCE be pleased to state:

(a): the countries whose currency are available in foreign reserve at present;

(b): the amount invested from this reserve by the Reserve Bank of India during the last three years; and

(c): the impact on the prices due to non-utilisation of this reserve in productive activities?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a):The foreign currency assets of the Reserve Bank of India broadly consist of convertible hard currencies of major countries where markets are deep and liquid.

(b): Investment of foreign exchange reserves by the Reserve Bank of India is governed bythe provisions of the Reserve Bank of India Act, 1934, as modified from time to time. Accordingly, the foreign exchange reserves are invested in approved foreign securities and deposits abroad with due considerations of safety, liquidity and yield of the funds so invested.

(c): Foreign exchange reserves are held by the Reserve Bank of India, with a view tomaintaining a pool of liquid assets which could be utilised in case of contingencies. It is difficult to express and establish a direct relationship between productive activities, utilisation of foreign exchange reserves and the rate of inflation.